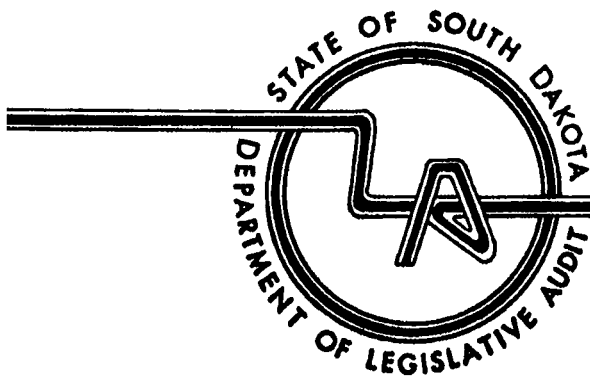


**KINGSBURY COUNTY**

**REGIONAL RAILROAD AUTHORITY**

**January 1, 2011 Through December 31, 2014**



427 SOUTH CHAPELLE  
C/O 500 EAST CAPITOL  
PIERRE SD 57601-5070  
(605) 773-3595  
FAX (605) 773-6454

MARTIN L. GUINDON, CPA  
AUDITOR GENERAL

## REPORT ON THE LIMITED REVIEW OF PROCEDURES AND CONTROLS IN EFFECT FOR KINGSBURY COUNTY REGIONAL RAILROAD AUTHORITY

Pursuant to a motion approved by the South Dakota State Railroad Board on January 15, 2014, the South Dakota State Railroad Board authorized the Department of Transportation to request the Department of Legislative Audit to conduct reviews of regional railroad authorities that currently have a loan or lease with the Department of Transportation.

We have performed the procedures enumerated below, which were agreed to by the management of the Department of Transportation. The sufficiency of these procedures is solely the responsibility of the management of the Department of Transportation. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

These procedures did not constitute an audit conducted in accordance with generally accepted government auditing standards and do not extend to, and we do not express an opinion on, any financial statements or reports of the regional railroad authorities. In addition, these procedures were not conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants.

1. We reviewed the Kingsbury County Regional Railroad Authority's (Kingsbury County Authority) procedures for appointing board members.

South Dakota Codified Law (SDCL) 49-17A-6 states:

The representatives of the subdivisions which are members of a regional railroad authority shall elect commissioners of the regional railroad authority. The number to be elected and their representation shall be provided for in the agreement. All commissioners of a regional railroad authority shall be elected for a term of three years. Vacancies shall be filled for the unexpired term in the same manner as the original elections. Each commissioner shall hold office until his or her successor has been elected and qualified.

The Agreement to establish the Kingsbury County Railroad Authority in Article VI states "The Commissioners shall be elected for a term of one (1) year with vacancies filled for any unexpired term in the same manner as the original election."

We noted through communication with the Chairman of the Kingsbury County Authority that Kingsbury County and the Municipality of Lake Preston had not re-appointed any board members since the incorporation of the Kingsbury County Authority in 2009.

**We recommend that the Kingsbury County Authority communicate with all member governments about the election/appointment of board members to ensure compliance with SDCL 49-17A-6.**

2. We reviewed the Kingsbury County Authority's procedures for holding meetings, including the preparation and posting of meeting agendas; the taking of meeting minutes; the retention procedures of the meeting minutes; and, the filing of required documentation with the Secretary of State's office.

We determined that only one meeting of the Kingsbury County Authority Board was held during the review period. A notice of the meeting is to be posted in the Kingsbury County Courthouse and the Municipality of Lake Preston Finance Office. Meetings are held on an as needed basis and the meeting location is usually the Prairie Ag Office in Lake Preston. However, when we inquired of the member Kingsbury County Auditor and the Lake Preston Finance Officer about the notices, neither of them ever recalled receiving or posting such notices. Minutes of the Kingsbury County Authority board meetings are retained by Secretary-Treasurer Doug Kazmerzak; however, only one meeting was conducted in January, 2012 during the period we reviewed. We also determined that all necessary documentation had been filed with the Secretary of State's office.

**We recommend that the Kingsbury County Authority comply with open meetings laws, by posting a meeting notice and copy of the proposed agenda of board meetings at all member governments to ensure compliance with SDCL 1-25-1.1.**

3. We reviewed the Kingsbury County Authority's procedures related to the monitoring of cash assets.

The Kingsbury County Authority has one bank account, a non-interest bearing checking account. The bank statements are delivered to Secretary-Treasurer Doug Kazmerzak. The Kingsbury County Authority's Secretary-Treasurer maintained manual records through the use of a manual checkbook. The Kingsbury County Authority does not maintain any basic accounting records.

**We recommend that the Kingsbury County Authority consider establishing some basic accounting records such as a General Ledger, Cash Receipts Journal and Cash Disbursements Journal to enhance monitoring of cash assets when financial activity warrants it.**

4. We reviewed the Kingsbury County Authority's procedures related to the receipting and depositing of revenues received.

The Kingsbury County Authority is not exercising its power to levy and generate property tax revenues.

During the period reviewed, the Kingsbury County Authority collected \$100 as a donation to establish a checking account. No other revenues were received or collected directly by the Kingsbury County Authority during the period reviewed.

No entries are recorded in the accounting records for receipts sent directly to the Department of Transportation as a payment on behalf of the Kingsbury County Authority by Prairie Ag Partners for promissory note payments.

The Kingsbury County Authority Secretary-Treasurer uses a manual checkbook to monitor the revenues of the Kingsbury County Authority; however, no activity has occurred during the review period except for a \$100 donation given in 2012 to establish a checking account balance. The Kingsbury County Authority does not maintain any basic accounting records.

**We recommend that the Kingsbury County Authority consider establishing some basic accounting records and record any revenues in the accounting records by issuing receipts for cash and recording appropriate accounting entries for non-cash transactions.**

5. We reviewed the Kingsbury County Authority's procedures related to the expenditure process.

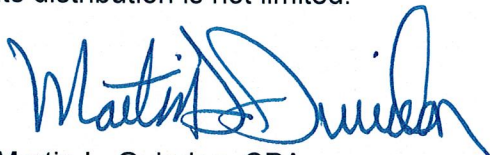
No expenses have been incurred directly by the Kingsbury County Authority during the period of reviewed. Checks are required to be signed by two of the authorized board members. Non-cash transactions are not recorded in the Kingsbury County Authority's accounting system for promissory note payments made by Prairie Ag Partners on behalf of the Kingsbury County Authority.

The Kingsbury County Authority's Secretary-Treasurer uses manual records through the use of a checkbook to monitor the expenditures of the Kingsbury County Authority; however, no expenditures were incurred other than the payments made by Prairie Ag Partners on behalf of the Kingsbury County Authority during this review period. The Kingsbury County Authority does not maintain any basic accounting records.

**We recommend that the Kingsbury County Authority consider establishing some basic accounting records and record any expenditures in the accounting records and record appropriate accounting entries for non-cash transactions.**

6. We reviewed Kingsbury County Authority's accounting records, bank statements and financial related activity from the Department of Transportation and prepared the attached Combined Report of Revenues, Expenditures and Changes in Fund Cash Balance from January 1, 2011 through December 31, 2014 and yearly Report of Revenues, Expenditures and Changes in Fund Cash Balance for calendar years 2011, 2012, 2013 and 2014. We have also included a Schedule of Changes in Long-Term Debt from January 1, 2011 through December 31, 2014.

This report is intended solely for the information and use of the State Railroad Board and management of the Department of Transportation and is not intended to be and should not be used by anyone other than those parties. However, this report is a matter of public record and its distribution is not limited.



Martin L. Guindon, CPA  
Auditor General

June 9, 2015

**KINGSBURY COUNTY REGIONAL RAILROAD AUTHORITY**  
**Combined Report of Revenues, Expenditures and Changes in Fund Cash Balance**  
**January 1, 2011 through December 31, 2014**

Fund Cash Balance, January 1, 2011	\$ 0.00
Revenues:	
Payment from Industry (Paid Directly to State)	360,000.00
Other Revenues	<u>100.00</u>
Total Revenue	360,100.00
Expenditures:	
Debt Service Payment to State - Principal	312,863.33
Debt Service Payment to State - Interest	<u>47,136.67</u>
Total Expenditures	<u>360,000.00</u>
Excess Revenues Over (Under) Expenditures	<u>100.00</u>
Fund Cash Balance, December 31, 2014	<u><u>\$ 100.00</u></u>

**KINGSBURY COUNTY REGIONAL RAILROAD AUTHORITY**  
**Report of Revenues, Expenditures and Changes in Fund Cash Balance**  
**January 1, 2014 through December 31, 2014**

Fund Cash Balance, January 1, 2014	\$ 100.00
Revenues:	
Payment from Industry (Paid Directly to State)	90,000.00
Other Revenues	<u>0.00</u>
Total Revenue	90,000.00
Expenditures:	
Debt Service Payment to State - Principal	80,546.68
Debt Service Payment to State - Interest	<u>9,453.32</u>
Total Expenditures	<u>90,000.00</u>
Excess Revenues Over (Under) Expenditures	<u>0.00</u>
Fund Cash Balance, December 31, 2014	<u><u>\$ 100.00</u></u>

**KINGSBURY COUNTY REGIONAL RAILROAD AUTHORITY**  
**Report of Revenues, Expenditures and Changes in Fund Cash Balance**  
**January 1, 2013 through December 31, 2013**

Fund Cash Balance, January 1, 2013	\$ 100.00
Revenues:	
Payment from Industry (Paid Directly to State)	90,000.00
Other Revenues	<u>0.00</u>
Total Revenue	90,000.00
Expenditures:	
Debt Service Payment to State - Principal	78,951.56
Debt Service Payment to State - Interest	<u>11,048.44</u>
Total Expenditures	<u>90,000.00</u>
Excess Revenues Over (Under) Expenditures	<u>0.00</u>
Fund Cash Balance, December 31, 2013	<u><u>\$ 100.00</u></u>

**KINGSBURY COUNTY REGIONAL RAILROAD AUTHORITY**  
**Report of Revenues, Expenditures and Changes in Fund Cash Balance**  
**January 1, 2012 through December 31, 2012**

Fund Cash Balance, January 1, 2012	\$ 0.00
Revenues:	
Payment from Industry (Paid Directly to State)	90,000.00
Other Revenues	<u>100.00</u>
Total Revenue	90,100.00
Expenditures:	
Debt Service Payment to State - Principal	77,403.49
Debt Service Payment to State - Interest	<u>12,596.51</u>
Total Expenditures	<u>90,000.00</u>
Excess Revenues Over (Under) Expenditures	<u>100.00</u>
Fund Cash Balance, December 31, 2012	<u><u>\$ 100.00</u></u>



**KINGSBURY COUNTY REGIONAL RAILROAD AUTHORITY**  
**Report of Revenues, Expenditures and Changes in Fund Cash Balance**  
**January 1, 2011 through December 31, 2011**

Fund Cash Balance, January 1, 2011	\$ 0.00
Revenues:	
Payment from Industry (Paid Directly to State)	90,000.00
Other Revenues	<u>0.00</u>
Total Revenue	90,000.00
Expenditures:	
Debt Service Payment to State - Principal	75,961.60
Debt Service Payment to State - Interest	<u>14,038.40</u>
Total Expenditures	<u>90,000.00</u>
Excess Revenues Over (Under) Expenditures	<u>0.00</u>
Fund Cash Balance, December 31, 2011	<u><u>\$ 0.00</u></u>

**KINGSBURY COUNTY REGIONAL RAILROAD AUTHORITY**  
**Schedule of Changes in Long-Term Debt**  
**December 31, 2014**

	<b>Beginning Balance January 1, 2011</b>	<b>Debt Issued</b>	<b>Debt Payments</b>				<b>Ending Balance December 31, 2014</b>
			<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	
Promissory Note Payable #713857 (See Note 1)	\$ 705,787.21	\$ 0.00	\$ 75,961.60	\$ 77,403.49	\$ 78,951.56	\$ 80,546.68	\$ 392,923.88

**Note 1:**

This promissory note was entered into on June 29, 2009 between the State of South Dakota through the Department of Transportation, the Kingsbury County Regional Railroad Authority (Loanee) and the Prairie Ag Partners, Inc. (Loan Guarantor). The total amount loaned was \$779,204.37 at an interest rate of 2.00% paid back over a 10 year period. The purpose of the loan was for the construction of additional siding track and the reconfiguration of existing tract at Prairie Ag Partners in Lake Preston, South Dakota.